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Pakistan's Cotton Exports Surge Upward

Asian Market for U.S. Tobacco

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This week's cover:

Hogsheads of U.S. tobacco are loaded at the port of Norfolk, Va., for shipment to overseas markets. An assessment of U.S. tobacco's future in these markets begins on the opposite page.

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Outlook Mixed For Future Trade In U.S. Tobacco

By B. G. ANDREWS
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DESPITE A GOOD 1972 performance, U.S. exports of tobacco face a mixed future. For tobacco products, the outlook is exceedingly bright, with record-breaking exports in prospect. But for unmanufactured tobacco—the more important part of U.S. tobacco trade—large shipments in 1972 represent a misleading bulge in a trend that points downward for the coming years.

Granted, trade in U.S. unmanufactured tobacco continues to benefit from the United Nations embargo on exports from Rhodesia—once the leading U.S. competitor in the world tobacco market. And U.S. sales are on the rise in Asia and other areas.

But even more numerous—and difficult to solve—are the obstacles ahead. They include a general slowdown in tobacco use per unit of product as consumers heed health warnings and cigarette manufacturers develop more ways to stretch their costly supplies; extension by the European Community (EC) of restrictive import policies to its three new members, one of which is the United Kingdom—traditionally the largest market for U.S. tobacco; a downward trend in U.S. supplies available for export, with an obvious impact on prices and buyers' confidence; and, finally, expanding production and trade of foreign-grown tobacco.

In 1971, exports of unmanufactured tobacco from Free World countries rose to a new record of 1.88 billion pounds —3 percent above the previous record set in 1967. Imports also hit an all-time high of 2 billion pounds.

In 1972, the United States, for the first time in several years, participated in this world trade growth, with shipments climbing to an estimated 600 million pounds valued at $630 million, from a low of 473 million pounds, at $462 million, in the previous year. However, this recent gain largely resulted from a trade distortion caused by the U.S. dock strike in late 1971. The strike not only threw large amounts of exports into calendar 1972 but also accounted for the 1971 figure being the lowest of the decade next to the 468 million pounds shipped in 1965, when Rhodesian exports hit a record 266 million pounds, cutting into traditional U.S. markets.

Left, U.S. tobacco hogsheads are loaded for export. Below, tobacco inspector looks at burley being sold in Lexington, Kentucky, from CCC holdings.

U.S. trade in unmanufactured tobacco since that earlier plunge has seesawed, rising in 1968 to nearly 600 million pounds as a result of the embargo imposed on Rhodesian trade in 1966, only to head downward in subsequent years, culminating in the 1971 low.

U.S. share of the Free World market has varied sharply in line with these trade swings. From an average of 29 percent during 1960-64, that share rose to 33 percent in 1968, only to plunge again—to 25 percent in 1971. In 1972, it was again up to about 30 percent.

Much of the recent loss in U.S. share has taken place in flue-cured exports. From about 55 percent of Free World flue-cured exports in 1968, the U.S. share fell to 45 percent in 1970 and 43 percent in 1971.

Looking ahead, U.S. trade appears to be slipping into a downtrend. In fiscal 1973, it is expected to decline about 5 percent from the fiscal 1972 level to around 500 million to 510 million pounds.

Whether this declining tendency continues in the years ahead—or can be reversed—depends on a number of factors. These include:

- Developments in trade negotiations on tariff and nontariff barriers, particularly with the EC;
- Competition from suppliers of cheaper leaf from the developing countries;
- Changing manufacturing requirements in importing countries;
- The eventual position of Rhodesia in world tobacco trade; and
- The price of U.S. tobacco in relation to that of increased supplies from competing areas.

Probably the greatest single influence on future U.S. tobacco trade now lies with the European Community. The world's largest tobacco importing area, the EC counts the United States as its major supplier: nearly a third of all unmanufactured leaf imported by the EC and a significant quantity of the products have come from the United States.

Before its January 1 enlargement, the EC had an annual leaf requirement of about 900 million pounds, with over two-thirds of this for manufacture into cigarettes. About 600 million pounds, or two-thirds of all requirements, were imported, primarily from the United States, Greece, and Turkey, while about a third of the leaf used was produced within the Community, primarily in Italy and France. Exports and reexports of unmanufactured leaf to other third countries were negligible.

With a Common Agricultural Policy (CAP) for tobacco now established, it is expected to be increasingly difficult for the United States to maintain its reasonable share of the EC tobacco market. High price incentives and buyers' premiums provided for by the CAP will further encourage local production, while preferential duties from the associated territories expand imports from those areas. Imports of tobacco from Greece, Turkey, and some other associated areas have already enjoyed an appreciable rise.

MOREOVER, SUCCESSFUL conclusion of the long struggle to enlarge the EC to include the United Kingdom, Denmark, and Ireland took place on January 1. This enlarged Community of nine countries contains a population of about 250 million, larger than either the United States or the Soviet Union, and now accounts for over half of total Free World tobacco trade.

In 1972, U.S. exports to the nine countries now in the enlarged EC were about 310 million pounds, or over 50 percent of all U.S. tobacco leaf trade. In addition, this market area received over $45 million of U.S. manufactured tobacco products, representing about 20 percent of such U.S. exports.

Consequently, the U.S. export trade for tobacco depends to a considerable degree on the agricultural policies and tobacco regulations pursued by the Community. Considering the changing trade practices and increased trade restrictions brought about by these policies so far, it appears most likely that U.S. tobacco exports to the area will decline in the years ahead. Numerous complex tobacco policies and regulations are underlying reasons behind much of these expected changes.

It is for this reason that the U.S.

Department of Agriculture intends to press strongly for a satisfactory agreement with the enlarged EC regarding market access for U.S. tobacco.

Potentially, the greatest impact on U.S. trade could be brought about by the U.K. entry into the Community. The United Kingdom has traditionally been the largest export market for U.S. flue-cured tobacco. Duty-free treatment for EC and preference tobacco, the higher EC tariff on more expensive high-quality tobacco, and the impact of tax harmonization to a high ad valorem excise tax system for products will give the U.K. industry a strong incentive to change from its present 100-percent flue-cured cigarette to a blended product using burley and aromatic tobaccos in addition to flue-cured. Such a shift would have a serious impact on imports of U.S. tobacco.

ANOTHER IMPEDIMENT to U.S. trade is the growing foreign production of tobacco, especially flue-cured and burley types, which, although not equal in quality, are more than competitive in price with U.S. tobacco.

Since the embargo of Rhodesian trade in 1966, expansion in flue-cured has been particularly evident in some developing countries, probably more than offsetting the reduction in Rhodesian trade. The expanding areas of Africa include Malawi, Zambia, Tanzania, Mozambique, and Uganda; elsewhere, increases have taken place in Brazil, Mexico, and South Korea.

Burley production outside the United States has also risen sharply, more than doubling since the 1960-64 period. Larger crops are being grown in Italy, Greece, Spain, South Korea, Japan, Malawi, Brazil, and Mexico.

Much of this expanded production has been for export in direct competition with U.S. trade and at substantially lower prices. With rising prices of U.S. tobacco, this competition in foreign markets can be expected to increase in the years ahead. Moreover, production incentives and buyers' premiums granted to EC producers are expected to expand EC domestic output, and preferential arrangements for duty-free trade with Greece, Turkey, and the African associated areas will encourage imports from those producers.

Changing demand and manufacturing requirements are also affecting the volume of U.S. exports.

Worldwide consumption of tobacco is mostly in the form of cigarettes—which take nearly two-thirds of all tobacco in world trade. Some countries prefer a dark tobacco smoke; others, aromatic leaf such as produced in Greece and Turkey; and others are increasingly turning to blended light tobaccos as in American-blend cigarettes. The British, for instance, have traditionally preferred a 100-percent bright tobacco cigarette of high-quality flue-cured leaf, mostly from the United States and Commonwealth areas such as Canada, India, and British African nations.

Although total cigarette consumption continues to rise in most countries (an average increase of 3.4 percent in 1971), utilization of leaf tobacco has not kept pace in recent years. With rising prices of raw tobacco in most major markets, manufacturers have increasingly turned to cheaper tobacco and substitutes such as stems, homogenized sheet, and other cost-saving technological developments such as puffing and freeze-drying tobacco. These changes in leaf use and processing techniques have tended to conserve leaf requirements as well as provide cost reduction in product output.

Output of filter-tip cigarette brands that utilize less leaf per unit of smoke has expanded rapidly in most foreign countries, and the trend continues. All of these factors are expected to dampen total demand for quality U.S. tobacco in the years ahead.

The Rhodesian situation continues to have an impact on U.S. tobacco export trade. Even though it appeared at times last year that negotiations between the United Kingdom and Rhodesia might restore their relations and trade, such negotiations have now been indefinitely canceled, and Rhodesian trade continues to be embargoed. Thus, the United Kingdom, a major tobacco import market, has found it necessary to depend on other suppliers for that portion of its requirements.

Although Rhodesia's leaf is finding an export market in some areas, and is continuing to compete with U.S. leaf in foreign markets, the quantity is apparently much lower than it would otherwise be, while U.S. export trade is somewhat larger.

Stocks of U.S. tobacco have dipped to relatively low levels in the major European markets, where manufacturers apparently slowed their buying in anticipation of the Rhodesian question's being settled. Replenishment of these stocks currently depends more heavily than usual on U.S. supplies, which also have been reduced to fairly low levels.

Rising prices of U.S. tobacco are also affecting competitive demand and foreign trade in tobacco. Higher leaf prices on U.S. markets and a demand by foreign buyers for more specially processed leaf have raised world prices for U.S. tobacco significantly above those of competitive suppliers. This situation is creating a price umbrella which is further encouraging larger production of U.S. tobacco types in a number of foreign countries. In addition, purchasers are becoming more price conscious and are eagerly seeking alternative supplies of flue-cured and burley tobaccos from cheaper sources. This trend is expected to continue in the years ahead.

As the market for U.S. tobacco slows in the developed countries of Europe, some offsetting improvement is occurring in a number of Asian countries. Improving economic conditions and increased exposure to U.S. tourists and servicemen, for instance, have contributed to larger output and sales of American-blend type cigarettes and U.S. leaf tobacco in Japan, Thailand, Taiwan, and South Vietnam. (See *Foreign Agriculture*, Feb. 19.)

RECENT ACTIONS by the U.S. tobacco industry to increase 1973 production of flue-cured tobacco and export availabilities are also expected to help improve the export situation. However, the extent to which this move can retard the downtrend in U.S. tobacco exports cannot yet be readily evaluated.

Unlike unmanufactured leaf tobacco, U.S. exports of manufactured tobacco products have been growing in recent years. This expansion culminated in record exports—both in quantity and value—during fiscal 1972. The value of all tobacco-product exports during that year jumped 15 percent above the fiscal 1971 level to about $232 million. Cigarette exports, which account for over 80 percent of the tobacco-product value, reached $189 million for a 15-percent rise. Exports of bulk tobacco (semiprepared for cigarette manufacture) reached nearly $39 million for a 16-percent rise. The upward trend in exports of these products is expected to continue in the years ahead.

DROUGHT CUTS CHINA'S GRAIN PRODUCTION

With its impressive grain expansion of the past decade temporarily interrupted, China is making near-record grain imports and pushing for larger production of 1973 crops.

Grain storage in Yushu County, Kirin Province.

In the wake of drought and other weather damage, which affected large areas of the Eurasian land mass, grain production in the People's Republic of China last year fell below expectation, necessitating larger grain imports in fiscal 1973. Moreover, the current winter grain crop—while larger in area than last year's—may have been adversely affected by moisture problems and planting delays, dimming hopes for a much larger winter grain crop this year.

According to an official announcement made in mid-November 1972, Chinese grain production last year fell at least 10 million tons as the worst drought in several decades combined with waterlogging, frost, windstorm, hail, and insect damage to reduce output of coarse grains in particular. China's 1972 wheat crop appears to have escaped last year's most serious weather setbacks. According to a Peking announcement of January 21, 1973, the 1972 wheat harvest was 8 percent (some 2 million tons) larger than 1971's.

Because China's grain production had been steadily rising, the harvest level was still relatively high, but not high enough. As a result, Chinese wheat import purchasing for fiscal 1973 doubled that for the previous year, reaching close to 6 million tons. A large quantity of U.S. corn for food use was also purchased.

China's grain supply situation appears to be of concern to the Government. Not only have larger imports been required, but other measures have been carried out. On December 7, the Party journal *Red Flag* urged every Chinese to "save a mouthful of grain each day." In another move, the Government has ordered grain sent into the areas where the harvest was most affected or where supplies were low. Also, an intensive campaign against grain waste has been launched and strongly waged by the press. The stress is on "planned, economical grain usage" with particular emphasis on storing more grain and avoiding losses or waste.

With imports of wheat and corn already contracted for delivery this year and the early part of fiscal year 1974, China is attempting to increase grain production this year to compensate for recent losses and to avoid larger import commitments for the coming year. Reports from several Provinces indicate that the Government was to some degree successful in its call for expanded sowings of winter grains, primarily winter wheat, which accounts for approximately 90 percent of the wheat crop. In Shantung, Hopeh, and Szechwan, the second-, third-, and sixth-largest wheat-growing Provinces in China, this year's winter wheat area exceeds that of last year.

In other Provinces, however, including Anhwei, the fourth-largest wheat-growing Province, the area sown to winter wheat failed to reach that of 1971-72.

While the sown area of the current winter wheat crop no doubt exceeds that of the previous year, most areas experienced difficulty at planting time. A major problem was late planting, due to drought or other adverse weather, which delayed harvesting of the previous crop in China's tight schedule of crop rotation. The result has been winter wheat sowings below the level planned and the possibility of reduced yields where planting was badly delayed or carried out under adverse weather or unsuitable soil moisture conditions.

Although little information is available, China's winter wheat crop appears to be in no significant trouble except for moisture problems, but those could be serious. For example, Shansi Province, after suffering the worst drought in a century, is still troubled with insufficient winter precipitation. Shansi Province produces only 4-5 percent of China's total wheat crop, but the effect on total production will still be important because of the tight grain situation. There are undoubtedly other areas where soil moisture conditions are far from favorable. During January 22-24, snow fell on the major winter wheat-producing Provinces but did not add much to soil moisture content or to protection against killing frosts.

Little is known of crop conditions of winter barley, rape, beans, and peas—the other important winter crops which will assume even greater importance this year as a result of the 1972 grain shortfall.

Thus, the outlook at this early stage appears to be for a winter wheat crop not significantly larger than last year's, unless optimum growing conditions prevail. Meanwhile, China's domestic requirements will continue to increase, and, unless this year's rice and coarse grain harvests are considerably better than those of 1972, wheat import requirements will likely continue large in fiscal 1974. Coarse grains for food might also be imported again.

Seeming to support this outlook is the increasing pressure for grain land to be planted to industrial crops, especially crops needed to produce export earnings. Each year it is becoming more difficult for China to avoid a reduction in grain area. And this year will be one of particularly conflicting priorities because of the 1972 grain shortfall. China needs to produce more grain, but must import if supplies are insufficient. Meanwhile, China must maintain, if not increase, export earnings from agricultural commodities to support a growing import trade.

Iran Continues Long-Term Trend Of Expansion in Cotton Production As Domestic Demand Rises

By LARENCE E. OSBORN
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Above left, examining samples taken from baled cotton that is being held in storage at Iranian gin, ready for shipment to port or to the mill.

Left, a horse-drawn cart is one of the most economical ways the smaller Iranian farmer has of transporting seed cotton short distances to a gin.

Above, Iranian specialist views crop on research farm at Varimin (where a new cotton variety got its name).

COTTON PRODUCTION in Iran climbed to a record 800,000 bales in 1972-73, after a 25-year uphill march. A more or less steady rise in both acreage and yield accounts for this long-term expansion. The gain over 1971-72, however —18 percent—was due largely to a sharp jump in acreage that was encouraged by farmers' satisfaction with profits from higher prices the year before.

Among Iran's export commodities, cotton rates second only to petroleum and petroleum products as a foreign exchange earner. Iranian cotton has been competing with U.S. medium and longer staple Upland cotton in the world market. About a quarter of Iran's cotton exports in recent years have been destined to two major U.S. markets—Japan and the United Kingdom—and to Yugoslavia. The rest has moved under trade agreements to Communist countries, mainly the USSR, Czechoslovakia, Hungary, Romania, and Poland.

However, no intensification of rivalry with U.S. cotton is foreseen. In fact, competition may lessen, since the rapid development of Iran's textile industry in response to strengthening domestic demand is likely to siphon off enough of the expected increase in cotton production to keep exports at about the current level. They are estimated at 450,000 bales for the 1972-73 crop year—somewhat higher than the 400,000 bales of 1970-72, somewhat lower than the record 494,000 bales of 1970-71. Iran ranks sixth among world cotton exporters.

Over the past 20 years, Iranian cotton production has increased by an average of 32,000 bales annually, and yield per acre by an average of 12 pounds. During the past 10 years alone, the annual increase in production averaged somewhat more—about 38,000 bales, sparked by yield gains that averaged about 22 pounds a year. These advances in yield have been the result of Government incentive programs and improvements in technology, mechanization, and irrigation.

Cotton area has increased by about 23,000 acres a year during the 20-year period—mostly during the first decade of it. The record level of about 1 million acres was attained in 1962; since then, acreage has ranged as low as 717,000, with an average of 888,000 for the past decade.

The present season's jump in cotton area—to 915,000 acres, from last year's 790,000—reflected the high prices that prevailed in much of the previous season. Iranian Strict Middling 1-1/16-inch cotton on the Liverpool market reached a peak of 41.25 cents per pound in February 1972.

In mid-September 1972, however, after a 7-month downtrend, prices reached a low of 31.75 cents. Although they then began to advance because of reports of unfavorable weather in several large producing countries, much of the cotton had already left the farms. Thus, despite a 9-cent price increase since September, cotton acreage for 1973-74 has little encouragement to maintain the 1972-73 level; besides, food and forage crops are likely to command higher priorities.

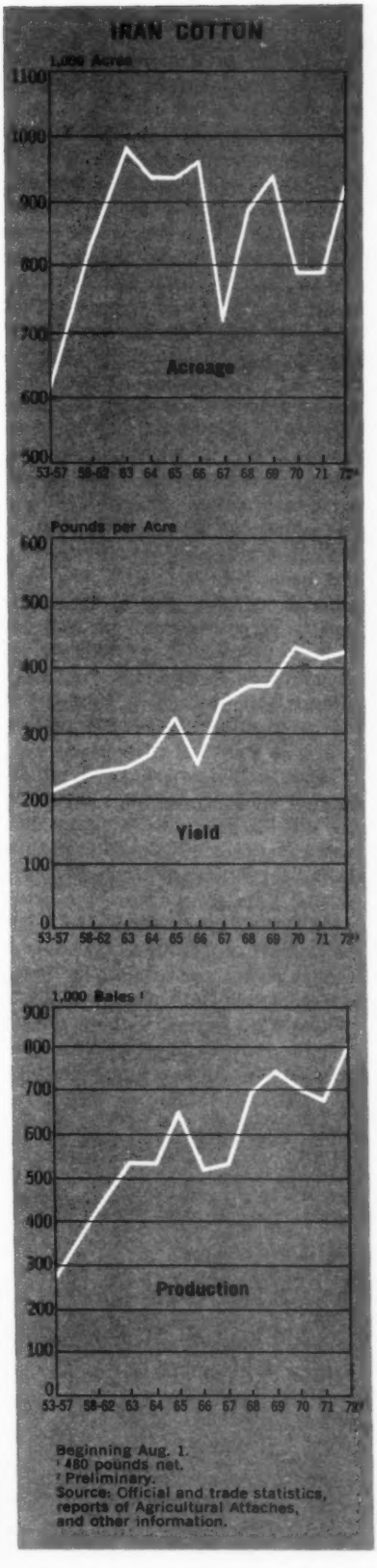
Yield, however, has more than made up for the relatively slow growth of cotton acreage in the second half of the 20-year period. The Government's goal of further increasing yield to about 1 bale per acre, as proposed in the fourth Five-Year Plan, has helped to promote more effective use of fertilizers and insecticides.

PRODUCTION AND MARKETING of cotton is controlled by the Cotton Organization of Iran, a semiautonomous agency under the Iranian Ministry of Agriculture. Through the fourth Plan, which began in 1968, the Ministry furnishes technical assistance to farmers and subsidizes costs of fertilizer and insecticides, plus part of the interest on loans. If a farmer chooses to participate in the program, the Government refunds to him at the end of the season an amount equal to one-third of his fertilizer costs, 3 percent of the interest incurred on his loan, and all his costs for aerial spraying.

In 1970-71, about 200,000 acres were covered by the Government program, and by the end of the Plan—the 1973-74 season—about 250,000 acres should be covered. If the Government continues to assist cotton production, the yield trend can be expected to continue.

The Ministry also provides technical assistance and has been helping to raise yields by supervising the supply of improved seed and developing two new varieties, from which greatly increased yields have resulted.

The slowly diminishing older seed—producing much of the cotton grown in Iran—was selected several years ago from U.S. varieties. The Cotton Organization, which is responsible for all aspects of the industry from planting to



final lint classification, has been more active in recent years, and has increased its efforts to prevent seed of the new varieties from being mixed with that of the old ones.

Parent stocks of commercially produced Iranian cotton include Coker 100-Wilt, Acala 1517, and two comparatively minor local varieties—Filistani and Boomi—still grown in some parts of the central and southern regions. The new varieties, Varimin and Sahel, developed primarily from Coker 100-Wilt, released in 1971, have been produced in sufficient quantities to replace most of the older varieties in all regions except the Fars area, where Acala will continue to be planted. Sahel is primarily grown in the Caspian coast region, whose Gorgon-Gonbad and Mazandaran area account for about 90 percent of Iran's total cotton production; Varimin is primarily grown elsewhere.

Some acreage in areas of Iran now being developed could be devoted to cotton. These, however, are high-cost areas, in which food and forage crops generally have first priority. Any crops grown there—including cotton—will have to perform efficiently, with relatively high yields and relatively low risk.

Three such areas are now being developed: The Dez irrigation project in Khūzestān Province, the Moghan plain project in Azārbāījān Province, and the Jīroft plain project in Kermān Province. About 2,000 acres of cotton were grown in the Dez project area in 1972-73; but construction of irrigation canals in the Moghan plain project and of the water reservoir in the Jīroft plain project was not completed.

Optimism for the possibilities of cotton production appears high in the Dez area. But no large acreage is expected to be devoted to cotton there at this time, owing to lack of ginning plants and to high demand for food crops, sugarbeets, milo, alfalfa, and corn.

Discussions with Iranian farmers suggest that direct costs of producing cotton in 1972-73 were between 17 and 18 cents per pound of lint. This would vary from farm to farm, depending on the amount of inputs and the timing of insecticide applications. Cost of production per pound of lint was about 2 to 3 cents less in 1972-73 than it had been in 1971-72, when more water was needed early in the growing season and more insecticides were used later. Average yield was about the same, but total cost per acre was higher.

COTTON UTILIZATION in Iran's textile industry has increased sharply in the past 3 years to an expected record of 325,000 bales in 1972-73, compared with 290,000 a year earlier and a stagnated level of 240,000 in 1969-70. In the past 5 years, the cotton industry has overcome some of the problems and inefficiencies that had cut mill use down from 250,000 bales in 1961-62 to 183,000 in 1965-66. Cotton textile equipment is still inefficiently operated, but stronger domestic demand has contributed to higher mill consumption.

Use of imported manmade fibers (mostly rayon), increasing at a rate of about 5 percent or more annually, has been a deterrent to the improvement of cotton consumption, and these fibers have provided strong competition.

Domestic demand for cotton textiles, however, is expected to continue growing along with the population and the economy. In 1971, population was estimated at nearly 30 million and rising slightly over 3 percent annually. The fourth Five-Year Plan, ending in 1972-73, takes into account both kinds of growth—in the economy and in the population. This Plan, which stresses the expansion of a broad group of industries—including textiles—at around 10 percent annually, based on value of production, has been a strong incentive for the textile industry.

In the next few years, cotton exports from Iran are expected to remain around the level of 400,000 to 450,000 bales, provided that cotton is produced to some extent in the developing areas to offset the loss of acreage to competing food and forage crops in other areas. Demand by local mills is expected to outpace production increases resulting from higher yields, since not much expansion can be foreseen in acreage. Beyond the level of around 750,000 to 800,000 acres, the area devoted to cotton is highly responsive to market price conditions; and it could drop below that if bad weather prevents planting.

COTTON SUPPLY AND DEMAND IN IRAN
[In thousands of bales, 480 lb. net]

Season [1]	Beginning stocks	Production	Total supply	Consumption	Exports	Ending stocks
Average:						
1953-57	25	271	296	82	185	29
1958-62	40	421	461	198	222	41
1963	30	530	560	210	326	24
1964	24	530	554	210	313	31
1965	31	645	676	182	459	35
1966	35	519	554	229	272	53
1967	53	528	581	230	299	52
1968	52	690	742	235	420	87
1969	87	735	822	245	475	102
1970	102	707	809	280	494	35
1971	35	680	715	290	400	25
1972 [2]	25	800	825	325	450	50

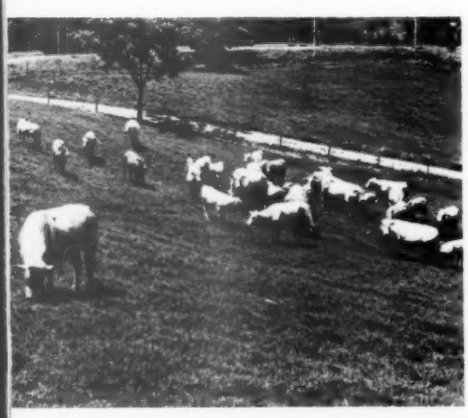
[1] Beginning Aug. 1. [2] Preliminary.

IRANIAN AND U.S. COTTONS, OFFERING PRICES, C.I.F. LIVERPOOL
[In cents per pound]

Year beginning Jan. 1	Iran SM 1-1/16"	U.S. SM 1-1/16"
1968	32.00	33.07
1969	28.52	28.47
1970	29.20	29.68
1971:		
January	32.05	30.95
February	32.22	31.52
March	32.00	32.02
April	32.00	32.30
May	32.59	33.48
June	33.12	33.48
July	33.68	34.60
August	35.31	35.46
September	36.35	35.10
October	37.50	36.06
November	37.75	36.44
December	39.05	39.16
Average	34.47	34.21
1972:		
January	40.62	41.45
February	41.25	41.68
March	41.05	40.17
April	40.25	37.56
May	40.25	36.88
June	37.40	35.15
July	35.69	34.06
August	34.55	32.49
September	32.19	31.28
October	33.02	32.22
November	36.89	36.69
December	38.83	38.67
Average	37.66	36.60

U.S. Food Products Find Wide Acceptance In Three Caribbean Markets

Beef herds and a farmers' market in Trinidad-Tobago. A limited agriculture and rising demand are making this and other islands bigger U.S. markets.



LARGE AND HEAVILY populated countries are not the only growth markets for U.S. farm products. Three of the more promising ones—especially for consumer-ready foods—are the tiny Southern Caribbean islands of the Netherlands Antilles, Trinidad and Tobago, and Barbados.

These islands have a combined land area only slightly bigger than Delaware and a combined population of less than 1.6 million. Yet their agricultural imports from the United States alone totaled over $35 million in calendar 1971 and hold the potential of rising considerably more.

Tourism is what whets the islands' appetites. Each year, hundreds of thousands of tourists visit these tropical islands, creating an outsized demand for high-quality and convenience foods. Thus, while most of the world's agricultural importers purchase largely bulk items, these—and the other Caribbean islands—buy disproportionately large amounts of consumer-ready products.

Such items account for almost half of total U.S. farm product sales to the three. U.S. poultry meat, beef, pork, and processed fruits and vegetables are the most important products in the group, although the list of imports runs into the hundreds and includes everything from baby foods and pet food to potato and corn chips.

Despite their many similarities, each of the three differs in its agricultural needs and trade regulations. The Netherlands Antilles, for instance, is basically an unrestricted market, while Trinidad-Tobago and Barbados are members of the Caribbean Free Trade Association (CARIFTA) and thus favor trade with member countries. In addition, Trinidad-Tobago has a negative trade list to protect local industries.

Thus, before attempting to sell in the markets, exporters should familiarize themselves with their individual agricultural needs and trade policies.

The **Netherlands Antilles** is one of the major Caribbean markets for U.S. agricultural products, whose sales rose nearly 30 percent from the 1965-69 average to $14.7 million in 1971.

Consumer-ready products account for the largest share of this trade, holding 53 percent of the total, or $7.8 million, in 1971. Sales of such products have outpaced others, rising at an annual rate of about 5 percent since 1965.

Total imports of the large-volume consumer-ready products (those valued at $50,000 or more) rose nearly 32 percent in 1971 from the 1965-69 average. Some of the most important individual items showing gains were frozen chickens or chicken parts; beef, beef tongues, pork, and other meat products; frozen orange juice concentrate; peanuts; canned peaches; fruit cocktail; baby foods; wine; dog and cat food; shortening; and salad dressings.

Of the total value of U.S. consumer-ready products shipped to the Netherlands Antilles in 1971, almost 40 percent consisted of meat and meat preparations, 14 percent of fruit and vegetables, and 4 percent of grain preparations.

U.S. exports of bulk items to the Netherlands Antilles in 1971, at $6.9

million, were 27 percent above both the 1966 level and the 1965-69 average. They accounted for slightly less than half the total shipments.

Among those products showing significant gains were soybeans and their products, rice, wheat, molasses, beverage bases, and smoking tobacco. Declines occurred in wheat flour, prepared animal feeds, oils, fats, and fatty acids.

Feedgrains and oilseed meals or soybeans will probably be important in the future, as will wheat now that a flour and feed mill are on Curaçao.

Small U.S. exports of livestock to the Netherlands Antilles consist mostly of baby chicks, and these are declining in importance. Most live animal imports, mainly cattle, come from Colombia.

In the years ahead, the growing number of tourists, which totaled about 200,000 in 1970, will provide the basis for expanded agricultural imports. Since many of these visitors are American, the United States should be in a favorable position to compete for hotel and restaurant trade.

THE MAJOR U.S. competitor in the market is the Netherlands, especially for consumer-ready items. Others are Denmark, Canada, and Venezuela.

The Netherlands Antilles is an associate member of the European Community (EC) and therefore gives preferential tariff rates to EC countries. These preferences are largely offset, however, by lower transportation costs from the United States.

An import licensing program, begun in January 1971, provides the Government with authority to protect local production more effectively. However, because of the limited production potential the major impact on U.S. sales will be a change in the composition of exports, rather than a reduction in total quantity.

Trinidad and Tobago has been a rapidly growing market for U.S. agricultural products. Sales of these products (excluding relief shipments) rose from $9.4 million in 1965 to $16.8 million in 1971—for an annual gain of 13 percent and a 36-percent jump over the 1965-69 average.

Unlike the Netherlands Antilles and Barbados, this nation imports largely bulk commodities—mainly wheat, corn, animal feeds, tobacco, rice, and cotton—which last year earned $13.1 million, or 78 percent of the value of all U.S. agricultural shipments and 40 percent more than the 1965-69 average for bulk items.

Sales increases were recorded for corn, unmanufactured tobacco, soybean cake and meal, wheat, beverage bases and sirups, tallow, and soybean oil, while declines took place in dried peas and lentils, feed stuffs, and cotton lint.

U.S. exports of consumer-ready items to Trinidad-Tobago last year amounted to $2.8 million, or 2 percent more than the 1965-69 average. This represented 17 percent of total U.S. agricultural exports to the island and consisted mainly of meats and their preparations and fresh fruits and vegetables and their preparations.

Among the individual consumer items, sharp gains were achieved for hams and shoulders (allowed only for ships' stores and bunkers), fresh grapes, fresh carrots, and frozen vegetables. Smaller increases occurred in beef, beef liver, cheese, prunes, raisins, nuts, cat and dog food, and breakfast cereals. Sales of pineapple juice and fresh onions fell sharply from high 1970 levels.

Looking ahead, a number of factors augur well for U.S. agricultural exports to Trinidad-Tobago. These include economic gains expected as a result of expansion in the all-important oil industry and an upsurge in tourism—to possibly 400,000 in 1977 from around 87,000 in 1970—as the country continues to mend its tourist image, marred by riots in 1970. Demand is thus expected to outpace the island's ability to increase production.

As in the past, the United States faces stiff competition in the market from the United Kingdom and from Australia, New Zealand, and Canada.

However, the devaluation of the U.S. dollar has made our products more competitive. In addition, the United States has the advantage of the Caribbean's being a nearby market.

Barbados is a small but generally growing market for U.S. agricultural products. In addition, it serves as an entry into the markets of the Leeward and Windward Islands, where a number of wholesale and retail firms in Barbados have branches or agents.

U.S. agricultural exports to Barbados increased from an annual average of $2.8 million in 1965-69 to $3.9 million in 1971, although the 1971 figure was off slightly from 1970 for the first decline in many years.

In general, the U.S. share of the market fluctuates but trends upward.

Far and away the largest exports to Barbados were in the consumer-ready category, which accounted for 74 percent of total U.S. agricultural sales there in 1971.

Such shipments were up only 1 percent from 1970 but were 69 percent above the 1965-69 average and nearly triple the 1965 level. Poultry meat—chicken parts, frozen turkey, and turkey parts—and red meat have accounted for most of this rapid expansion and today dwarf the other exports. Their combined share of the total market in 1971 was 59 percent, and their share of the consumer-ready market was 80 percent.

Exports of chicken parts, especially, have risen rapidly—on the average of 51 percent a year from 1967 to 1970 and 22 percent in 1971. Local residents are the main consumers of these products—principally chicken backs, necks, and wings—which now account for 37 percent of the total value of U.S. agricultural exports to Barbados. Increases in total population and in per capita incomes, although small, can be expected to expand sales further.

THE GROWING TOURIST trade offers opportunity for sales of more sophisticated, further processed poultry meat.

Aside from poultry and beef, canned vegetables were the only item with a 1971 export value of $50,000 or more. Canned fruits, frozen vegetables, dog and cat food, and infant dietary supplements each were valued between $25,000 and $50,000.

U.S. exports of bulk commodities to Barbados in 1971 accounted for 23 percent of the total value, or $1 million. This was 13 percent less than in 1970 and 14 percent below the 1965-69 average, despite increases of 8 percent in sales of unmanufactured tobacco, 242 percent in nonfat dry milk, and 68 percent in seeds for planting.

Shipments of livestock, making up only 3 percent of the total export, were back up to the 1965 level after having dropped sharply with the loss of markets for breeding cattle and baby chicks. Hatching eggs accounted for the gain.

A very slow increase in Barbados domestic food production, coupled with a substantial growth in tourist business, points toward continued increases in imports of food items. Since the majority of tourists come from North America, U.S. suppliers should be at least able to maintain their share of this

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EC-CAP for Grain Adopted by New Members, U.K. Prices Change

By KENNETH L. MURRAY
Grain and Feed Division
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In a last minute action, the European Community (EC) Commission announced that the Common Agricultural Policy (CAP) for grains would take effect in the United Kingdom, Denmark, and Ireland as scheduled, on February 1, 1973. However, some price adjustments were made for the United Kingdom.

There was a great deal of confusion surrounding the announcement. It was believed by some that the implementation of the CAP in the new Member States would be delayed for several weeks because of the unusual world grain price situation and the floating of the British pound.

The basic problem in extending the grain CAP to the new members is smoothing out price differences over a transition period. To bridge the price gap, so-called "compensatory amounts" are applied to intervention prices, levies, and export subsidies.

The compensatory amounts that took effect on February 1 on the major grains are described below. For Ireland and Denmark, these rates are the basic amounts agreed to by the EC last July (except for sorghum in Ireland).

The compensatory amount is the key to calculation of import levies and export subsidies between the new Member States and the original EC, and between the new Member States and third countries. Compensatory amounts are:

- Subtracted from full EC-Six levies to determine levy for new Member States on imports from third countries.
- Subtracted from full EC-Six export subsidy to determine export subsidy in new Member States on shipments to third countries.
- Given to exporters in the original EC as subsidy on exports to new Member States.
- Collected as import tax on shipments from new members to the EC-Six.

A major difficulty in extending the CAP to the new members on February 1 was the decision to temporarily reduce the compensatory amounts for U.K. grains to take account of the rise in world market prices in recent months. The basic compensatory amounts agreed to by the EC Six and the United Kingdom last July reflected the agreed price differences between the two areas at that time, equalling the gap between intervention prices in the two areas.

But U.K. grain market prices have followed world prices upwards since then, while EC-Six internal prices have been insulated at even higher, relatively stable levels through large import levies. So the compensatory amounts had to be reduced to take into account the closer price relationships between U.K. and EC-Six grains.

An upper limit on compensatory amounts is dictated by the EC Enlargement Treaty, which states "the compensatory amount levied or granted by a Member State may not exceed the total amount levied by that same Member State on imports from third countries."

This rule was followed and the U.K. compensatory amounts were set on February 1, generally at EC-Six levy levels effective at that time. By definition, this means that no variable levies were effective on U.K. grain imports on February 1.

Since that time, however, the U.S. dollar devaluation has brought about a reduction in world grain market prices—in terms of units of account (UA)—on which EC levies are based; and the EC Commission has sharply raised the levy rates. In addition, there has been a general decline in world grain prices, which also has contributed to higher EC-Six levies. By February 16, variable levies apparently had come into effect on U.K. imports of wheat and corn from non-EC countries, because EC-Six levies rose above the basic compensatory amounts on these grains.

The table shows how EC levies for wheat and corn have moved above U.K. basic compensatory amounts. In these cases, the United Kingdom put import levies into effect, as prescribed, applying the difference between the basic compensatory amounts and the EC-Six levies. In the case of other grains where the EC-Six levies have not risen to the level of the U.K. basic compensatory amounts, temporary rates are still in effect.

The temporary compensatory amounts do not exactly equal the import levies because they are set at a midpoint of multiples of 4 UA. For example, the compensatory amount on barley on February 16 equaled 26.00 UA, while the levy was 24.09 UA, because 26.00

(Continued on page 16)

COMPENSATORY AMOUNTS EFFECTIVE FEBRUARY 1, 1973
[In units of account per metric ton [1]]

Grain	United Kingdom [2]	Ireland [2]	Denmark
Wheat	30.00	7.50	9.95
Durum	34.00	21.13	10.90
Barley	14.00	14.86	8.68
Corn	26.00	23.00	—
Sorghum	14.00	14.00	—

[1] One unit of account equaled US$1.0857 on February 1, 1973. Following dollar devaluation, it was worth US$1.206. [2] These rates were changed on February 14 as a result of the U.S. dollar devaluation.

UNITED KINGDOM: COMPENSATORY AMOUNTS AND IMPORT LEVIES EFFECTIVE ON FEBRUARY 1 AND FEBRUARY 16, 1973
[In units of account per metric ton [1]]

	Compensatory amounts			Import levies			
Grain	Basic rate for 1972-73	Temporarily effective Feb. 1, 1973	Temporarily effective Feb. 16, 1973	EC-Six levy effective Feb. 1, 1973	EC-Six levy effective Feb. 16, 1973	U.K. levy effective Feb. 1, 1973	U.K. levy effective Feb. 16, 1973 [2]
Wheat	44.31	30.00	44.31	30.02	50.14	0	5.83
Durum	65.40	34.00	46.00	32.02	44.83	0	0
Barley	42.33	14.00	26.00	15.89	25.42	0	0
Corn	36.91	26.00	36.91	24.09	37.40	0	.49
Sorghum	37.33	14.00	32.00	14.95	30.35	0	0

[1] One unit of account equaled US$1.0857 on February 1, 1973. After dollar devaluation on February 12, the unit of account equaled US$1.206. [2] Calculated by subtracting compensatory amount from EC-Six levies.

NEW MARKETS AND BIGGER SALES TO RUSSIA BOOST INDIAN TOBACCO EXPORTS

India, which harvested a bumper tobacco crop in 1972, saw its leaf and tobacco-product exports jump by about 30 percent last year to over 70,000 metric tons, compared with 55,386 tons the previous year. Largely responsible were increased shipments to the Soviet Union and at least two new markets—Bangladesh and Bulgaria. Tobacco sales to most of India's other traditional customers either were larger or remained steady.

The Indian flue-cured Virginia tobacco harvest was 130,000 tons in 1972 (compared with 96,000 tons 1 year earlier), but the quality of part of the crop was not satisfactory to British buyers who reduced their purchases from 18,000 tons in 1971 to only 13,000 tons in 1972.

Soviet buyers, however, quickly purchased much of the crop as it entered the market. Because of an Indian-USSR trade agreement, Soviet buyers paid for their purchases of Indian tobacco and cigarettes with rupees, which did not help to improve India's foreign exchange standing.

India's exports of flue-cured tobacco to the Soviet Union jumped from 6,981 tons in 1970 to 17,062 tons in 1971, and shipments during 1972 were almost double the 1971 level. India also exported 1 billion cigarettes to the Soviet Union in 1971 for about $3 million and delivered larger quantities in 1972. In terms of value, India's combined leaf and cigarette exports soared from about $7 million in 1970 to almost $30 million in 1972.

Indian flue-cured tobacco is blended with domestic and imported oriental tobaccos in Soviet factories to manufacture brands of cigarettes that were introduced to Russian smokers in the last decade.

The USSR will probably seek to increase future purchases of Indian tobacco and cigarettes because of unfilled Soviet demand for imported flue-cured tobacco and the method of making payments provided by the trade pact.

Some Indian tobacco apparently reached the Soviet Union via Bulgaria. Because of expanded Soviet demand for tobacco products, the USSR imports large quantities of Bulgarian cigarettes. That country's cigarette exports reached 52,000 tons in 1971 and remained at high levels in 1972. To meet the demand for Bulgarian cigarettes in Russian cities, Bulgaria's Tobacco Monopoly imported 2,200 tons of tobacco from India in 1972, plus even larger quantities from Pakistan.

Although India faced little competition this year in the Soviet tobacco market from the People's Republic of China, this is a likelihood for future years. In 1971, the Soviet Union imported 6,177 tons of tobacco from the PRC—the first tobacco arrivals since 1961. During the late 1950's, the Soviet Union imported close to 40,000 tons of Chinese tobacco annually for use in blended cigarettes.

India's tobacco exports to Czechoslovakia almost quadrupled from 555 tons in 1971 to about 2,000 tons in 1972. Exports of Indian flue-cured tobacco to Egypt were also resumed after a hiatus of several years, with deliveries totaling 800 tons.

Indian exports to Bangladesh approximated 12,000 tons in 1972, although this quantity was less than the 22,000 tons of tobacco Bangladesh received in 1970 from what was then West Pakistan. Large exports of low-quality tobacco depleted 1972 stocks.

Exports of Indian tobacco to the European Community and Nepal remained steady in 1972, with a combined delivery to these markets of about 4,000 tons. Exports to Japan increased from 4,000 tons in 1971 to 5,400 tons a year later. —By JOHN B. PARKER, JR.

Foreign Demand and Competition Division
Economic Research Service

CUBA CITES OBJECTIVES OF 5-YEAR PLAN

Cuba plans to boost output of most of its agricultural products between 1971 and 1975 as part of its current 5-year plan, according to the Cuban magazine *Revista de Economiá y Desarrolla* (Review of Economic and Development). Quoting a speech made by Cuban President Osvaldo Dorticos last April but made public only recently, the magazine listed these goals:

- Sugar production is scheduled to increase, but gradually so as not to disrupt other sectors of the economy;
- Output of the agricultural and livestock sector is to be boosted 47 percent between 1971 and 1975;
- Rice outturn is to be increased to 550,000 tons by 1975;
- Production boosts of tobacco, vegetables, beans, coffee, and citrus fruits are also called for under the plan;
- The level of milk production is to be raised, but
- Beef output is to remain stable to build up animal numbers.

The President cited the decrease in sugar outturn to 4.4 million tons in 1971-72 (down from 5.9 million in 1970-71 and 8.5 million in 1969-70) as one of the reasons for the country's balance of payments crisis. Looking to the future, he said that "when certain secure conditions have been created for foreign imports," a 5-year development plan will be launched in 1975, based on cooperation with the Comecon countries. Biannual trade negotiations with the USSR will take place until 1975.

New Zealand Butter Prices In United Kingdom

Prices for New Zealand butter and cheese sales to the United Kingdom for the next 5 years have been agreed upon by farm ministers from the six original European Community (EC) countries and the three new members. The price of butter will be about 42 U.S. cents per pound and for cheese about 36 U.S. cents per pound. These prices will be increased by special levies as U.K. prices adjust through the transitional period to full EC levels.

The fixed amounts of butter and cheese which New Zealand will export to the United Kingdom in 1973 will be 165,811 tons and 68,580 tons, respectively. It was agreed that present U.K. stocks of New Zealand butter will not be accounted toward 1973 exports.

CROPS AND MARKETS

Venezuela's New Tariffs Protect Homegrown Products

Venezuela recently announced details of its new tariff system and revised custom regulations. Venezuela has adopted the BTN classification system and converted most specific duties to ad valorem rates. The new tariff became effective February 1, 1973, for all items not previously subject to import license requirements, and on April 1, 1973, for items which required licenses under the old import system.

A review of the new tariffs indicates in general relatively high import duties will be imposed on commodities produced domestically. The Government of Venezuela has stated the new levels of protection are intended to approximate old protective levels provided by licenses and spcific duties. It also noted the new tariffs will protect agricultural production but only to such a degree that domestic producers should feel challenged to produce in an efficient way resulting in better yields and quality.

In addition, import license requirements have been abolished for 559 products, leaving 41 products still subject to licensing—including wheat, milk, and fruit.

U.S. agricultural exports to Venezuela in fiscal 1972 totaled $112 million, mainly wheat, grain sorghum, cottonseed oil, soybeans, and pulses.

FATS, OILS, AND OILSEEDS

Canada Sells Rapeseed Oil to Chile

Canada has completed a $3-million sale of crude rapeseed oil to Chile, according to a recent announcement by AGRA Industries, Ltd., Toronto. The quantity of rapeseed oil sold was not disclosed. The sale represented the first major breakthrough for Canada as a large-scale exporter of rapeseed oil.

At current European prices—$237 per metric ton—the volume would approximate 12,500 metric tons.

World Copra Price Slump Cuts Philippines Earnings

The volume of Philippine exports of coconut products increased 21 percent in 1972 but continued deterioration of world prices reduced earnings by 9 percent, compared with export earnings in 1971.

Statistics released by the Philippine Coconut Administration and the United Coconut Association showed that the volume of Philippine coconut exports rose to 2.08 million metric tons in 1972, a 21 percent increase over the 1.71 million tons exported in 1971. During the same period, earnings fell from $260.4 million to $237.2 million.

The slump in dollar earnings is attributed to declining world prices of coconut oil, desiccated coconut, and copra.

India To Import Palm Oil

India has already imported 5,000 metric tons of palm oil and is reportedly negotiating for an additional 25,000 metric tons to be delivered by early March. India probably chose palm oil over other oils because it has been relatively less expensive and more quickly available. However, India experienced some problems transporting the first shipment of palm oil and by the time it reached the processing plants the free fatty acid content was quite high.

Before 1968, India used to import substantial tonnages of palm oil.

LIVESTOCK AND MEAT PRODUCTS

Japanese Produce Beef Overseas

Japanese firms have established 12 overseas beef production operations, on a joint basis with local interests in Australia (5), Madagascar (2), and one each in Brazil, New Britain, the United States, Indonesia, and Mexico. Five of the enterprises are fully integrated from calf production to finishing and marketing.

About 30 additional overseas beef cattle development schemes, primarily in Australia, are in various stages of planning. The joint investment ventures are to secure and diversify Japan's beef import supply sources.

U.K. Bacon Market Agreement Ends

The U.K. Bacon Market-Sharing Agreement ended February 1, the day the EC Common Agricultural Policy began to apply in the United Kingdom. The understanding first came into operation in April 1964 to provide for the orderly marketing of bacon in the United Kingdom and to avoid short-lived and violent price fluctuations.

In the early years of its operation, U.K. producers were allocated a specified percentage of the market. From 1969 onwards, however, British bacon producers were given more preferential treatment. Their share was determined first on the basis of expected U.K. production during the coming year and the remainder of the total market supply was then allocated to foreign suppliers.

For the 1972-73 year (April 1972-March 1973) U.K.

bacon requirements were estimated at 1.44 billion pounds—2 percent less than the previous year. Domestic production was estimated at 600 million pounds—almost unchanged from the previous year's output—leaving 840 million pounds to be imported. In 1972-73 about 14 percent of the allocated imports were to countries outside the EC Nine.

Imports from these countries, as well as other suppliers, will now be subject to the EC's Common Agricultural Policy on pork. Previously only countries subject to the BMS agreement could supply the U.K. market.

South Africa Buys U.S. Cattle

Farmers in the Republic of South Africa recently bought 433 head of beef and dairy breeding cattle from U.S. producers—the largest number of cattle ever shipped into South Africa in one consignment. Airlifted from Houston in late December and early January, the shipment consisted of 400 Santa Gertrudis and smaller numbers of Brahmans, Red Angus, and Herefords.

Breeding cattle exports to South Africa betwen 1968 and 1971 averaged 203 head per year.

FRUITS, NUTS, AND VEGETABLES

Dried Fig Production Down Slightly

Major dried fig producing countries report a slightly smaller 1972 commercial fig crop. Production is estimated at 118,800 short tons, 4 percent below last season's total of 123,900 tons—the smallest level in recent years. Both U.S. and foreign production was down even though Turkey and Greece reported larger crops.

Leading 1972 producers were Turkey, 60,600 tons; Greece, 27,400 tons; Italy, 15,400 tons; and the United States, 11,500 tons. Production in Portugal and Spain was severely reduced by heavy rains.

Ontario To Permit Wineries To Import Raw Materials

Ontario grape growers have agreed to allow wineries in the Province to temporarily import concentrate, to help offset the effect of this year's substantially lower crop. Until now, the importation of grapes or concentrates for use in Ontario commercial wines has been prohibited by legislation.

New enabling legislation will expire September 1, 1973, and will not allow imports after that date. The total amount of concentrate is not to exceed 18,000 tons.

This year's unusual situation was created by a grape crop of only 53,000 tons compared with more than 84,000 tons in 1971, and an increasing consumption of wine in Canada.

Short World Raisin Crop

Unfavorable weather conditions reduced 1972 world raisin and dried currant production to the lowest level in many years. Raisin production is estimated at 475,200 tons, sharply below that of 1971.

U.S. raisin outturn was reduced last year by March freeze damage to 105,000 tons, 45 percent below 1971. Both Greece and Turkey reported rain during harvest and production of raisins is placed at 78,800 and 121,000 tons, respectively. Australia reported a record 1972 raisin crop of 109,200 tons.

Commercial dried currant production totaled 85,100 tons. Greece is the major producer of currants.

Final 1971-72 season exports by world producers totaled 378,800 tons of raisins and 66,800 tons of currants.

U.S. exports of 1972-73 season dried vine fruit are expected to drop sharply while foreign exports are forecast slightly above last season's.

GRAINS, FEEDS, PULSES, AND SEEDS

European Winter Wheat Seeding Down

Dry conditions hindered autumn sowing to some extent in the European Community—except in the United Kingdom where soil and weather were favorable.

Total area sown to winter wheat in the nine Member States is estimated at 25.3 million acres, 0.3 percent below the final winter wheat area sown last year.

In Spain the area sown to winter wheat is about 7 percent lower than a year earlier but growing conditions are good. Winter wheat area in Sweden is about 6 percent larger than than that of last year.

Grain Exports and Transportation Trends: Week Ending February 9

Weekly export inspections of wheat, feedgrains, and soybeans totaled 1.58 million metric tons for the week ending February 9—a 12-percent drop from the week before and just below the January weekly average.

Inland transportation fell somewhat from the very high level of the last 4 weeks. Railcar loadings of grain totaled 33,963 cars, down 5 percent from the previous week. Data on barge shipments of grain was unavailable this week.

GRAIN EXPORT AND TRANSPORTATION TRENDS: WEEK ENDING FEBRUARY 9

Item	Week ending Feb. 9	Previous week	Weekly average, January	Weekly average, second quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	539	775	668	557
Feedgrains	678	616	675	595
Soybeans	359	407	249	351
Total	1,576	1,798	1,592	1,503
Inland transportation:				
Barge shipments of grain	(1)	475	497	559
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	33,963	35,875	33,287	30,923

[1] Not available.

USSR Snow Cover Improved But Still Inadequate

Throughout January most winter grain areas of the USSR had inadequate or no snow cover and freezing temperatures. During the first week of February, additional snows fell but in many areas snow cover remained insufficient.

Important winter wheat areas such as the western Ukraine, much of the eastern Ukraine, and the central nonblack soils region of the Russian Federation, along with the rye areas

of Byelorussia and the Baltic Republics, had 2 inches or less snow cover. In the southern Ukraine and Krasnodar regions, two of the Soviet Union's winter wheat areas, the ground reportedly was still bare.

While other winter grain areas apparently have at least minimal snow cover, some fields continue to be vulnerable to spot damage as winds have caused uneven snow distribution.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 21	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	3.14	+2	1.95
USSR SKS-14	(1)	(1)	1.87
Australian FAQ [2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	2.74	−1	1.92
15 percent	2.76	−1	1.97
U.S. No. 2 Hard Winter:			
13.5 percent	2.64	−5	1.79
No. 3 Hard Amber Durum	3.06	+5	1.81
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	2.07	+2	1.42
Argentine Plate corn	2.23	−4	1.60
U.S. No. 2 sorghum	2.24	−1	1.50
Argentine-Granifero sorghum	2.22	−2	1.53
U.S. No. 3 Feed barley	1.90	−8	1.25
Soybeans:			
U.S. No. 2 Yellow	7.05	+7	3.43
EC import levies: [3]			
Wheat [4]	[5] 1.70	+19	1.63
Corn [6]	[5] 1.14	+11	1.11
Sorghum [6]	[5] 1.02	+17	1.04

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] The grain levies in the new member countries are reduced by the following amounts through July 31, 1973: Wheat—United Kingdom, $1.31; Denmark, $0.29; Ireland, $0.23. Corn—United Kingdom, $1.02; Ireland, $0.63. Sorghum—United Kingdom, $1.03; Ireland, $0.68. [4] Durum has a separate levy. [5] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [6] Italian levies are 21 cents a bu. lower than those of other EC countries.

Australia May Reduce Sorghum Exports

Because of drought, which has cut supplies of other feeds, Australia is expected to increase sorghum consumption in 1973-74 by some 200,000 tons. With the forthcoming crop anticipated at 1.1 million tons, exports in the 1973-74 marketing year are expected to be about 650,000 tons, down from the 900,000 tons now estimated for the April-March year.

Rhodesia's Corn Output Slashed by Drought

Severe drought in Rhodesia has cut back 1972-73 corn production to an estimated 635,000 metric tons, sharply below last year's outturn of an estimated record of 1,542,000 tons and the 1970-71 crop of 1,179,000 tons. Normal rainfall comes in December-January, but this year it has been spotty.

Rhodesia is normally an exporter, and in good crop years has exported 400,000 to 600,000 metric tons. During the last 2 years it has held much of its corn in reserve and has exported only nominal amounts. Because this has left a substantial carryover of roughly 700,000 to 900,000 tons, no imports of corn may be needed in 1973-74 despite the expected poor crop.

SUGAR AND TROPICAL PRODUCTS

U.S. and European Cocoa Bean Grind Up

Cocoa bean grindings of four major consumers—the United States, West Germany, the Netherlands, and the United Kingdom—were up 33,066 tons in 1972 compared with the previous year. Fourth-quarter grindings of all except the Netherlands were also up.

U.S. cocoa bean grindings during the fourth quarter of 1972 totaled 80,287 metric tons, up from 78,472 tons the corresponding period of 1971. The total U.S. grind for the year was 288,941 tons, an increase of 3.6 percent over the previous year's grindings of 278,962 tons.

The West German grind during the last quarter of 1972 amounted to 40,223 metric tons, up 6.3 percent from the similar period a year earlier. Grindings for the year were 138,812 tons, 4.4 percent over the 1971 level of 132,919 tons.

Although the Netherland's fourth-quarter grind dropped from 33,680 tons in 1971 to 33,060 tons last year, the 1972 total grind was higher, totaling 124,440 metric tons in 1972. This was an increase of 3.2 percent over the 1971 grind of 120,555 tons.

The U.K. grind during the fourth quarter of 1972 amounted to 27,330 metric tons, 8.9 percent greater than the similar 1971 quarter when grindings amounted to 25,095 tons. The total 1972 grind was 97,739 tons, 15.8 percent larger than 1971 grindings of 84,430 tons.

DAIRY AND POULTRY

U.K. Farmers' Union Warns of Egg Shortage

The continuing low level of egg prices in the United Kingdom has brought warnings of an impending shortage.

In early January, the Poultry Development Officer of the National Farmers' Union stated that eggs had been sold in the United Kingdom under production cost for almost a year. The Union's president warned that many egg producers would be forced out of business unless prices are increased.

Some producers are apprehensive the situation may deteriorate to a point where eggs from elsewhere in the European Community could make inroads into the British market. Many also believe that their condition may worsen because of a recent Ministry of Agriculture announcement that, despite the current freeze on prices and incomes, the cost of animal feedstuffs will be allowed to rise by up to 12 percent.

London wholesale prices of home-produced large eggs on January 4, 1973, were only $3.18-$3.65 per 120 eggs, compared with $4.47-$4.82 a month earlier, although there is only a little difference between the January prices and those of a year ago which were in the $2.94-$3.88 range. Since last year, however, production costs have increased sharply.

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EC-CAP for Grain Adopted *(Continued from page 11)*

is the midpoint between 24.00 and 28.00.

The compensatory amount does not change till the levy enters a new band of 4. For example, if the corn levy drops to 23.90 UA, the compensatory amount is adjusted to 22.00 UA, or halfway between 20.00 and 24.00. This band system was chosen to avoid frequent adjustments in the compensatory amounts. It applies only as long as EC-Six levies do not exceed the basic U.K. compensatory amounts.

If the compensatory amounts for the United Kingdom were left at their original levels, trade would have been distorted. The French, for example, would have been able to offer their grain at excessively low levels on the U.K. market. Also, third country grain could have entered the original EC, paying on February 1, for example, a levy of only 30 UA for wheat, which could be reexported to the United Kingdom with an export subsidy of 44.31 UA.

An adjustment in compensatory amounts has not thus far been needed for Ireland and Denmark (except for sorghum in Ireland); their prices are much closer to EC-Six levels. The import levies applying on February 16 in Ireland and Denmark can be computed by subtracting the compensatory amounts for these countries (see table listing compensatory amounts) from the EC-Six levies (see table showing EC import levies). One exception is that the Irish compensatory amount for sorghum has risen to the basic rate of 24.99 UA.

With regard to U.K. intervention prices, these have been raised in terms of pound sterling by the devaluation rate of 9.2 percent, which was agreed to by the EC in late January. This enabled the United Kingdom and the EC Six to maintain the original agreed gap in their intervention prices that was the basis for setting the basic compensatory amounts last July.

The floating of the pound sterling downward in relation to EC-Six currencies following the February 12 dollar devaluation has further complicated the situation and may result in an additional increase in U.K. intervention prices.

U.S. Foods in Caribbean *(Continued from page 10)*

expanding market. Devaluation of the U.S. dollar also enhances trade prospects.

Other advantages to U.S. trade are higher costs of shipping goods from New Zealand and the growing American presence in Barbados as a result of that Government's attempts to attract foreign investment.

Major competitors in the market are Canada, the largest supplier of most products other than poultry meat, tomatoes, dry edible peas, and fresh grapes; the United Kingdom, which supplies small quantities of a vast array of products; the Netherlands, for dairy products and pork; New Zealand, for meat and dairy products; Guyana, for rice, favored by a special trade agreement as a CARIFTA country; and Argentina, for animal feed, meat, corn.

To capitalize on the growing potential of these three markets, members of the U.S. food trade, in cooperation with the Foreign Agricultural Service, are increasing market development activities there and are now considering solo trade fairs for Barbados and Curaçao in June 1974.

However, before a final selection of products is made for the Barbados mission, careful attention will have to be focused on the requirements of the Caribbean Common Market (CCM) which is scheduled to come into being on May 1, 1973. The CCM will embody all of the CARIFTA countries and will feature policies such as a common external tariff, a common protective policy, the harmonization of fiscal incentives, measures for the location of industries in the CCM's less developed countries, the rationalization of agriculture; and greater economic cooperation.

Member countries of the Caribbean Free Trade Association are Antigua, Barbados, British Honduras, Guyana, Jamaica, Montserrat, St. Christopher-Nevis-Anguilla, St. Lucia, St. Vincent, and Trinidad and Tobago.